

1997 PROPERTY TAX LEGISLATION

The following property tax bills were approved by the legislature and signed by the Governor:

SHB 1003 Senior citizens deferral; special assessments (Chapter 93, Laws of 1997)

This bill clarifies the types of assessments made against property which may be deferred by eligible senior citizens and disabled homeowners. It makes it clear that allowable special assessments include payments to any unit of local government, defined by the bill, which defray the cost of local improvements benefiting that parcel.

SHB 1277 Confidentiality of property tax information (Chapter 239, Laws of 1997)

Amends the public disclosure statutes to insure confidentiality of income and other proprietary business information obtained by the Department, excepting for the listed legitimate governmental purposes. Also clarified are disclosure rules concerning the valuation of intercounty utilities, ratio study appraisals, and information provided to the Department by county assessors. Also exempted from public inspection by this bill are the names of individuals residing in emergency or transitional housing when information is provided to substantiate claims for a property tax exemption.

EHB 1417 Extension of state levy reduction (Chapter 2, Laws of 1997)
(NOTE: Section 2 was subsequently repealed)

This bill extends the previous year's 4.7187 percent reduction in the state property tax levy rate to taxes due in 1997 and 1998 with the lower rate becoming the base for subsequent year's taxes. This bill submits the 1998 extension to a vote by the people, **but the Legislature subsequently adopted SB 5835 repealing the 1998 extension of the reduction.** The 1998 state levy reduction found herein will be replaced on the November 1997 ballot by SB 5835, which provides broader property tax relief.

HB 1439 Time limit for appeal (Chapter 294, Laws of 1997)

Under current law property owners have until July 1 or up to 30 days after receipt of a notice concerning changed values to file appeals of their assessed valuations with the County Board of Equalization. This bill allows counties to set their own appeal period for valuation changes, as long as the period does not exceed 60 days after receipt of the notice. Once established a county appeal period must remain unchanged for at least three years.

2SHB 1557 Exemption for habitat improvements (Chapter 295, Laws of 1997)

A new property tax exemption is established for property devoted to the improvement of fish and wildlife habitat and to water quality and quantity programs. The improvement must be included in a conservation plan adopted by a conservation district and the exemption is permitted only as long as "best management practices" are followed. Improvements required to mitigate impacts on habitat or water quality/quantity will not qualify for exemption. Further, habitat conservation plans under the federal endangered species act do not qualify. Landowners must annually certify that the improvements are being maintained as specified in the conservation plan.

HJR 4208 Four year school levies (Filed with Secretary of State)

This constitutional amendment will be submitted to the voters at the November 1997 election. If approved, it would authorize school districts to seek voter approval for special property tax levies for maintenance and operation purposes for up to a four-year period, rather than the two years. HB 2011 would implement this constitutional amendment, if it is approved by the electorate.

1997 PROPERTY TAX LEGISLATION (continued)

SSB 5003 Exemption; parcels valued less than \$500 (Chapter 244, Laws of 1997)

Exempted are parcels of real property and personal property accounts assessed at less than \$500 so long as the owner does not claim the \$3,000 head of household exemption; this does not apply to real property which is subject to preferential assessment as open space, timber, public housing or historic property.

SSB 5056 Property assessment; permitted land uses (Chapter 134, Laws of 1997)

This legislation requires that the assessment of property for property tax purposes consider current zoning and/or land use ordinances, though current practice generally aims for this objective.

SSB 5112 Interest on property tax refunds (Chapter 67, Laws of 1997)

Interest on refunds will be calculated from the date that the taxes were collected rather than the later of the collection date or the refund date.

SB 5229 The use of exempt public halls (Chapter 298, Laws of 1997)

Property owned by nonprofit organizations and used as public assembly halls or meeting places, may retain an exemption so long as they are used no more than seven days for "pecuniary gain," rather than three. Additionally, the promotion of business activities during that period will not affect exempt status.

ESSB 5286 Intangibles exemption broadened (Chapter 181, Laws of 1997)

Intangibles are generally exempt from property taxation. Though not specifically defined, intangibles are considered to be a form of personal property which represent assets, i.e. money, government bonds, corporate stock, personal service contracts, and athletic franchises. This bill expands the list of exempt intangibles to include: trademarks, trade and brand names, patents, copyrights, trade secrets, franchise agreements, licenses, permits, lists of customers and patients, reputation, prestige and good name. The Department is directed to assess utility companies subject to state valuation in a manner consistent with the expanded exemption. The bill is not intended to modify existing taxation of computer software.

SB 5452 Exemption for nonprofit cancer clinics (Chapter 143, Laws of 1997)

A new property tax exemption is established for clinics that are primarily devoted to prevention, detection and treatment of cancer. The organization must be operated by a nonprofit organization according to the Internal Revenue Code or a municipal hospital corporation. Administrative offices used exclusively in conjunction with the cancer treatment services are included in the exemption. For leased property the benefit of the exemption must be passed on to the lessee.

SB 5835 (Referendum 47) Property tax reductions (Chapter 3, Laws of 1997)

This bill, with the exception of Section 401 (explained in "State Levy reduction for 1998" below), has been referred to the voters. If approved, the following provisions will take effect on December 4, 1997:

Limitation on increases in assessed valuations

The value for property tax purposes will become the lesser of the current assessed value or a new "limited" value which is determined by a two-part formula as the greater of:

1. the increase in value of any improvements plus 115 percent of the value for the parcel for the preceding year; or
2. the sum of: the previous market value, the increase in the value of any improvements, and 25 percent of the total increase in market value for the parcel.

This will restrict the annual rate of growth in assessed values to 15 percent per year, unless market values in the vicinity are growing more rapidly; then the increase in value attributable to the market is limited to 25 percent per year. With voter approval this portion takes effect for taxes due in calendar year 1999.

1997 PROPERTY TAX LEGISLATION (continued)

SB 5835 (continued)

Reduction in 106 percent limit to the rate of inflation

Under this measure starting with taxes due in calendar year 1998, regular levy increases are limited to the present 106 percent OR a new “limit factor”, which is contingent upon the type of taxing district:

1. Small districts with population of less than 10,000:
 - ✚ the limit factor is equal to 106 percent (thus there is no change from the current law).
2. Local districts which have a “substantial need” expressed by approval of ordinance or resolution of the legislative authority (approval by two-thirds of the members if there are four or fewer members or by a majority plus one if there are five or more members):
 - ✚ the limit factor is equal to the rate determined by the legislative authority and may be any rate up to a maximum of 106 percent.
3. For all other taxing districts, including the state:
 - ✚ the limit factor is equal to 106 percent or the rate of inflation, whichever is less.

In the last instance, the rate of inflation is defined as the change in the implicit price deflator for personal consumption expenditures, as last published by the U.S. Department of Commerce.

State levy reduction for 1998

Section 401 repeals the provision in EHB 1417 that extends the 4.7187 percent state levy reduction for taxes due in 1998. Section 2 of EHB 1417 would have submitted to the voters in November 1997 a proposal to extend the levy reduction beyond 1997. Instead, all of SB 5835, with its greater property tax relief provisions, will appear on the November ballot as Referendum 47. If the voters approve this measure, then an identical reduction in the state levy rate, as contained in Section 301 of the bill, will become effective. Section 401 will take effect on July 27, 1997 and the new levy limit for calendar year 1998 in Section 301 would become effective on December 4, 1997, if the voters approve the measure.

ESB 6094 Growth management and property tax (Chapter 429, Laws of 1997)

This bill amends the Growth Management Act. It intends to recognize the importance of the agricultural and forestry industries and to help retain the character of rural land by providing greater discretion to local boards when making land use determinations consistent with growth management requirements. The types of parcels which can qualify as agricultural lands has been broadened to include certain lands designated as agricultural which have long-term significance for commercial food production and other parcels outside of urban growth areas which are zoned as agricultural. The bill creates an exception to the highest and best use property assessment criteria and precludes the valuation of agricultural, forest and open space lands, which are included in a county’s comprehensive plan, from being based on the sale of similar parcels that have been converted to other uses within five years following sale.